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Executive Registry
11-8917/a

Honorable Maurice Stans
Director, Bureau of the Budget
Washington 25, D. C.

On file OMB release
instructions apply.

Dear Maury,

I have read with interest the trip report by representatives of your staff which you sent to me with your letter of September 9, 1959 and I am attaching comments on certain conclusions set forth in the report.

With regard to the feasibility mentioned in your letter of merging Radio Free Europe and Radio Liberty facilities, I might say that, as you undoubtedly know, I have recently reviewed in considerable detail the activities of both these facilities with senior officials of other interested Governmental Departments, primarily the Department of State and USIA. These discussions have tended to confirm the advisability of keeping each of the radios as separate entities responsive to distinct and differing policy dictates. However, I shall be glad to discuss this matter further, if you wish, during the course of our 1961 budget discussions.

Similarly, I would prefer to comment at that time on Conclusion Number 5 of the trip report which raises a question with respect to the value of [redacted]. You will recall that the same point was included in Mr. Macy's letter to me of August 27, 1959. In that letter, Mr. Macy suggested the possibility of a further discussion during the 1961 budget presentation and I agreed with his suggestion in my reply of 10 September 1959.

STAT

Sincerely,

Allen W. Dulles
Director

Attachment: Comments on Conclusions

Signature Recommended:

STAT

[Redacted Signature]

31 OCT 1959

Deputy Director (Plans)

Concur:

STAT

[Redacted Signature]

5 NOV 1959

Deputy Director (Support)

STAT

DDP/PG

Rewritten:

27/29 October 1959

Distribution:

Orig. & 1 - Addressee

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Conclusion 2:

The planning and programming cycle within CIA is so lengthy and complex that it tends on the one hand to delay the timely initiation of hard-hitting projects and on the other to inhibit the modification or cancellation of marginal projects.

Discussion:

1. Our planning system was revised earlier this year to more appropriately tailor our procedures to our current requirements. Some of the features noted in the trip report have been modified. A senior planning officer, whose duty it is to review Clandestine Services activities as a whole against over-all foreign policy objectives, has recently been appointed to the immediate staff of the Deputy Director (Plans). The Preliminary Estimates, formerly prepared 18 months ahead of the action year, are no longer required. Operational Programs, required 4 months ahead from each component, are being redesigned to reflect planned operations and activities for the component as a whole in terms of selected categories of action within the limits of NSCID 5 and NSC 5412/2. Presentation of the Operational Programs in this manner, rather than by project, aids in evaluating the component's planned activity against policy objectives and insures a proper balance of available resources within a given area. Annual Field Directives to station chiefs have been sharpened to

reflect priority objectives which are more clearly in support of U.S. foreign policy and to assign tasks which are within the station's current capability.

2. Headquarters procedures for processing field proposals have been recently developed to a higher degree of efficiency, and experience shows that normally these proposals are handled in a short span of time. New activities suggested by the field are subject to delay in immediate processing only if there are questions of unresolved policy, priority of operational effort, or budget limitations. In an effort to act more expeditiously on headquarters and field proposals in response to changes in foreign political and economic situations, increased authority to approve new and amended activities has been delegated to chiefs of operating divisions. Further delegation of authority in headquarters and to chiefs of station is under consideration.

3. Each field station chief has funds allocated for "development and target of opportunity" activities. These funds are specifically provided to give him latitude for prompt action to meet conditions not covered by approved activities. The obligation to forecast contingencies and, therefore, the probable funds required during the action year for developmental activities, rests squarely on the chief of station. There is no limitation on the use of developmental funds, except that proposals involving continuing activity "normally will be submitted as projects within a six-month period from the date of the first disbursement or expenditure of funds."

4. Emergency situations requiring expenditures beyond available funds and authority for existing activity can be met promptly through channels other than those established for formal submission of proposed expansion of existing activity and of proposed new activity. Field requests, setting forth the conditions, action proposals, and estimated costs, are submitted directly to the DD/P when the demand is urgent and immediate operational action essential.

5. With regard to modification and cancellation of marginal activities, there is nothing within the planning and programming cycle which prohibits a chief of station from recommending such action at any time he deems necessary. Under these circumstances, and with headquarters concurrence, the only delays in effecting a modification or termination are those occasioned by the necessity for secure and effective action.

6. We feel that the planning and programming system as revised earlier this year is no longer lengthy and complex, and does not unduly inhibit the field from adjusting its activities, in consonance with need, to rapidly changing foreign political and economic conditions.

Conclusion 3:

CIA station chiefs lack the discretionary authority and flexibility needed to keep PP operations closely attuned to the constantly changing international and national situations.

Discussion:

1. The conclusion that CIA station chiefs lack the discretionary authority and flexibility to keep operations closely attuned to the constantly changing international and national situations is based on the assumption that all chiefs of station have acquired by now a high degree of experience and maturity. It is obvious that certain experienced chiefs of station with adequate supporting elements can be granted greater discretionary authority, and studies are being made at this time with the objective of delegating greater authority to them. There are, however, other considerations that bear directly on the question.

2. It is often true that informed overseas staffs will have a more intimate knowledge of local operating conditions than headquarters personnel. On the other hand, it is not possible for field personnel to be as knowledgeable as those in headquarters on matters of policy, planning, research, etc. This condition is magnified in most of the critical underdeveloped areas where our stations are small and the workload heavy. Personnel, caught in the urgency of serving day-to-day requirements, do not find time for careful assessment

and testing of new operational approaches or for objectively reassessing existing operations.

3. Without some monitoring from headquarters, field operations tend to be limited by the restricted view of the station itself. The broader, world-wide view of headquarters enables it to place all activities in better perspective. An indication of this is the fact that the great majority of marginal operations that have been terminated were ended at headquarters insistence.

4. The proposal to allow chiefs of station to transfer funds from one activity to another on their own initiative with appropriate limitations certainly has merit. As a matter of fact, in the studies mentioned above which are being made in anticipation of delegating greater authority to station chiefs, one principal consideration is the possibility of controlling funds at the station level.

Conclusion 4:

Project reporting requirements within CIA are excessively burdensome and result in a huge flow of paper which, in fact, may actually reduce effectiveness.

Discussion:

1. My comments on Conclusion 2 with respect to the planning and programming procedure reflect our vigorous efforts to reduce paper work required of the operating divisions and, in turn, their reporting requirements on the field. The annual project renewals, prepared for the most part in headquarters, now serve as the primary reference to project progress. These renewals, together with the Annual Assessment of Progress Report on the Station Field Directive in which the chief of station suggests modifications in the scope, emphasis, and direction of operations, now provide all that is necessary for staff review of progress.

2. With the exception of a very few basic reports of the nature described above, chiefs of station, with their greater familiarity of operational developments, should be and in fact are allowed greater flexibility by establishing their own frequency in operational reporting, rather than for headquarters to lay down universal reporting requirements equally binding on all stations regardless of their capacity to provide them.

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**EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON 25, D. C.**

Executive Registry

11-9917

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Allen:
Dear ~~Mr.~~ Dulles:

I have just finished reading a trip report recently completed by my staff and am passing it along for your perusal and possible use. The report, which concentrates on your cold war activities, was most interesting to me, as I am sure it will be to you.

The report alludes to several areas which could have considerable budget impact in the future. In addition, I would like to raise the question of the feasibility of merging Radio Free Europe and Radio Liberty facilities. I hope you will give this idea, as well as those mentioned in the body of the report, your personal attention as we approach the time for a settlement of your Agency's 1961 budget levels.

Sincerely yours,

Manning
Director

Honorable Allen Dulles
Director of Central
Intelligence
Washington 25, D. C.

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Report on 1959 European Field Trip Study of CIA
Cold War Activities and Related USIA Programs

Introduction

25X1 This report is the result of a field trip made by staff members of the Bureau of the Budget to USIA and CIA installations in [redacted] In all cases field representatives were fully cooperative in extending assistance and support to the Bureau of the Budget survey.

25X1 The primary purpose of the trip was to gain a detailed knowledge of political and psychological programs conducted by the two agencies in their foreign operational environment. Of particular concern to the Bureau were the method and extent to which the overt information

[redacted]
The political action programs of CIA, moreover, were studied on a project-by-project basis, and considerable attention was devoted to management relationships between field and headquarters within the Agency. Because of the limited time available, no effort was made to review the conventional intelligence collection activities of CIA.

25X1 Roughly [redacted] of CIA's dollar resources are expended directly for cold war (PP) activities. As will become evident, the term is extremely broad in its application and permits a great diversity of covert U. S. governmental activity throughout the world. These activities are normally planned and conducted on an annual project basis, subject to periodic renewal after appropriate foreign policy coordination with the Department of State. This phase of Agency effort has become increasingly significant in recent years. Because the Agency budget document contains very little substantive information on PP programs, the only practical way of comprehending them and relating them to other U. S. Government programs is through a project-by-project review. Such was the procedure followed in conducting this study.

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Conclusions

[redacted]

2. The planning and programming cycle within CIA is so lengthy and complex that it tends on the one hand to delay the timely initiation of hard-hitting projects and on the other to inhibit the modification or cancellation of marginal projects.

PP [redacted]

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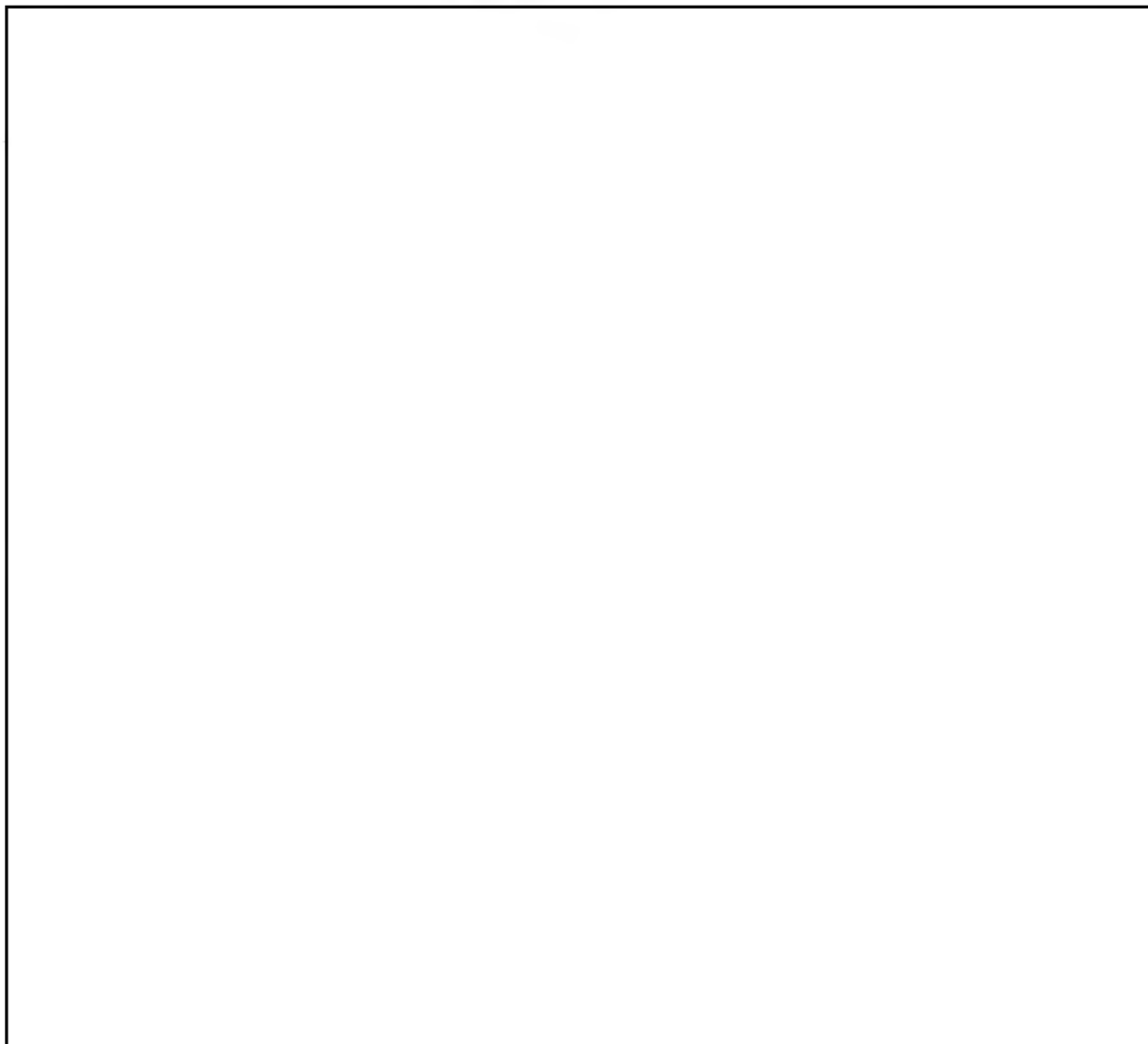
3. CIA station chiefs lack the discretionary authority and flexibility needed to keep PP operations closely attuned to the constantly changing international and national situations.

4. Project reporting requirements within CIA are excessively burdensome and result in a huge flow of paper which, in fact, may actually reduce effectiveness.

5. Over the years CIA has developed a vast network of [redacted] many of whose activities appear to be of marginal value to U. S. foreign policy interests. [redacted]

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Discussion



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CIA programming procedure

2 Under existing arrangements CIA field stations are required to submit plans for PP activities as much as 18 months in advance of their inception. These plans are then transmitted to appropriate geographic division headquarters in Washington where they are refined and transmitted to a senior staff group for further review and refinement and finally to the top-level Project Review Committee of CIA. The last body approves the projects annually at a specific dollar level. Besides all these internal clearances, CIA also is required to get the approval of the designated office in the Department of State for each project.

This type of long-range programming, with senior officials involving themselves in operational details of individual projects, is obviously cumbersome and not geared to react quickly to current political and economic conditions. In one instance we were told of a project which after six months, still had not received Washington approval or disapproval and which meanwhile had lost much of its timeliness. To a large extent PP activities are conducted through assets of long-time duration. As a consequence field estimates often are nothing but requests for the continuation of existing operating levels, without particular regard for operational conditions which may prevail a year and a half hence. To a degree the budget cycle itself requires this type of programming; however the procedure becomes objectionable when the dollar levels at which projects are approved are adhered to with considerable rigidity. Because of the difficulty in obtaining headquarters approval to changes in project levels, field estimates tend to be inflated; further, the long lead time discourages the hard-headed evaluation which might lead to a more timely cancellation of marginal projects.

Despite the existence of an elaborate system of project reviews both at initiation and at renewal time, it is not clear that total programs (as distinct from individual projects) are evaluated as a

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whole against overall foreign policy objectives. This, in our opinion, should be the concern of top level policy people in CIA and State, while problems of project initiation and execution should be treated at lower levels. At present evaluation responsibility is too fragmented to be maximally effective and may often lack objectivity at some levels because of a personal interest of the evaluator in the project. To put it in summary, today's PP programs give an impression of collections of projects, rarely looked at as a whole and encased in a procedural straitjacket which is too confining to permit ready adaptability to rapidly changing conditions.

Centralization of authority

In its early days, according to senior officials, CIA granted broad authority to overseas stations which then lacked the experienced personnel to exercise it wisely. Unhappy with the results the Agency reversed itself and now has concentrated virtually all authority in headquarters. The upshot is that CIA station chiefs have remarkably little discretion and flexibility in directing the use of funds as required by rapidly changing world political conditions. It is true that each overseas station has a so-called development of targets of opportunity fund which can be utilized for purposes of exploiting an unanticipated situation, but insofar as we could learn the limits on the use of this money by a station chief acting on his own authority are very narrow. What is more important, station chiefs are not permitted to transfer funds from one approved project to another without headquarters approval. Quite the opposite situation prevails in USIA where the Public Affairs Officer enjoys broad authority in implementing USIA's programs.

It was our impression that CIA senior personnel overseas are experienced, mature, and fully capable of exercising a considerable degree of discretionary responsibility. It goes without saying, moreover, that these seasoned people have a more intimate knowledge of operating conditions than can possibly exist in Washington. It would seem highly desirable, therefore, that station chiefs be given authority to reprogram as needed and transfer funds between projects. This would facilitate the phasing down or beefing up of marginal or high-dividend projects, as operating conditions dictate. As a practical measure it may be wise to limit the transfer authority to 20-25 percent of the total dollar level approved for each project. Without some such flexibility, we do not believe that programs will be dynamic and vigorously responsive to the needs of changing times.

Reporting requirements

In our opinion there is a great excess of reporting done by CIA field stations to Washington headquarters. Existing regulations

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require monthly reports on each PP project. In addition there is a continuing flow of information on these projects whenever anything of significance arises relating to them. Given the long-term nature of most of the projects and the fact that Washington headquarters is apprised whenever significant events occur, and given the further fact that in some areas of the world CIA staffs are inadequate because of the lack of sufficient cover positions, it appears wasteful to require overseas personnel to write monthly summaries on events and conditions which are already known fully in headquarters. We discussed this conclusion at all points of our visit and overseas personnel were fully in agreement. It is probable that quarterly reports would be entirely satisfactory in the case of the overwhelming majority of the PP projects. If this were done, a considerable amount of overseas staff time would be available for more productive efforts and at the same time there may result some reductions in headquarters personnel who now busy themselves processing the huge flow of monthly reports.

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Remarks:

Red:

As I mentioned to you yesterday, the Boss said he thought he ought to be getting together for study various materials dealing with the budget. If you are preparing a budget notebook for him, I would suggest that you might wish to include this material since he has not yet had the opportunity of sitting down and studying it very thoroughly.

1 to 2: - Returned for your files. Our Budget presentation appears to be

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FROM: NAME, ADDRESS AND PHONE NO.	DATE
Asst to the DCI	11/23/59
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MEMORANDUM FOR THE DIRECTOR
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Attached is a proposed reply to Mr. Stans' letter which transmitted a trip report entitled

prepared by representatives of his Staff.

The attached letter gives our comments on certain conclusions set forth in this report.

Recommend signature.

L. K. White
Deputy Director
(Support)

5 NOV 1959

(DATE)

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cc: DDCI